

Message Text

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ACTION NEA-09

INFO OCT-01 EUR-12 ISO-00 MC-02 CAB-02 CIAE-00 COME-00

DODE-00 DOTE-00 EB-07 INR-07 NSAE-00 FAA-00 L-02 SS-15

PM-03 XMB-02 AID-05 IGA-01 H-02 AF-06 EA-06 /082 W

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P R 080525Z APR 75

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC PRIORITY 932

INFO AMEMBASSY ALGIERS

AMCONSUL AMSTERDAM

AMEMBASSY BEIRUT

AMCONSUL BOMBAY

FAA BRUSSELS UNN

AMCONSUL CASABLANCA

AMEMBASSY ISLAMABAD

AMCONSUL KARACHI PRIORITY

AMEMBASSY LONDON

AMEMBASSY NEW DELHI

AMEMBASSY PARIS

AMEMBASSY RABAT

AMEMBASSY TRIPOLI

AMEMBASSY TUNIS

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DEPT PASS COMMERCE FOR COHEN AND HALE, EXIMBANK FOR YOUNG AND
BEEDE

BEIRUT FOR RCAA

E.O. 11652: N/A

TAGS: EFIN, EAIR, PK

SUBJ: PIA STATUS AND FLEET AND ROUTE EXPANSION: FOURTH DC-10-30
DEPLOYMENT

REF: A. BEIRUT 3280 B. KARACHI 442 C. KARACHI 425

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1. SUMMARY: RCAA AND CONGEN KARACHI COMMERCIAL ATTACHE PAID SERIES CALLS APRIL 3-5 PIA CHAIRMAN NUR KHAN, MANAGING DIRECTOR ENVER JAMALL, DIRECTOR CORPORATE AFFAIRS, TASHFIA HUQ, MANAGER FLEET PLANNING M.U. AHMAD, GENERAL MANAGER MARKETING KHURSHEED NAWAR, AND DGCA M.R. RIZVI TO ASCERTAIN AIRLINE'S PRESENT STATUS AND ROUTE AND FLEET PLANNING, WITH PARTICULAR EMPHASIS DEPLOYMENT FOURTH DC-10-30 ORDERED MARCH 10. INDICATIONS AIRLINE WILL EARN \$4 MILLION (U.S.) NET PROFIT FISCAL YEAR ENDING JUNE 30, 1975, WITH ALL REVENUE CATEGORIES, PARTICULARLY CARGO, SHARPLY INCREASED. FEARED BILATERAL CONSTRAINTS (REF A) WILL NOT INHIBIT FOURTH DC-10-30 VIABILITY AND AIRCRAFT WILL BE DEPLOYED SEVENTY ONE BLOCK HOURS WEEKLY, PRESERVING PRESENT PIA DC-10-30 UTILIZATION RATE AT 10.2 HOURS DAILY PER AIRCRAFT. AIRLINE MAY ORDER, LATER THIS YEAR, FOUR NEW MCDONNELL DOUGLAS DC-9-40CF OR BOEING ADVANCED 737-240C TWINJETS VALUED AT \$40 MILLION FOR DELIVERY COMMENCING SEPTEMBER 1976. BEYOND THE FOUR DC-10-30'S PRESENTLY IN SERVICE OR ON ORDER, PIA FLEET PLAN TENTATIVELY CALLS FOR A FIFTH DC-10-30 (OR 747B) IN SERVICE 1977, SIXTH IN 1978, SEVENTH IN 1979, EIGHT IN 1980, NINTH IN 1981, CONTINUING TO FLEET OF TWELVE BY SPRING 1984. END SUMMARY.

2. PROFITABILITY: FORECAST NET PROFIT FISCAL YEAR ENDING JUNE 30, 1975 ESTIMATED AT \$4 MILLION WITH EXPERIENCED NET PROFIT FIRST SIX MONTHS (JULY 1, 1974-DECEMBER 31, 1974) OF \$1 MILLION. AIRLINE INCURRED NET LOSSES OF \$303,000 AND \$1,062,000 FOR FISCAL YEARS ENDED JUNE 30, 1974 AND JUNE 30, 1973. HOWEVER, BOTH FISCAL YEARS 1974 AND 1973 EARNED OPERATING PROFITS (INCLUDING INTEREST PAYMENTS) WHICH WERE ERODED BY HEAVY BALANCE SHEET WRITEOFFS COVERING ASSITS LOST IN BANGLADESH. THESE WRITEOFFS OF \$1,070,000 FISCAL YEAR 1974 AND \$2,771,000 FISCAL YEAR 1973 NOW COMPLETED, NO LONGER BURDENING PROFITABILITY. PRIOR FISCAL YEAR 1972 (PAKISTAN-INDIA WAR), PIA ENJOYED LONG, UNBROKEN STRING PROFITABLE YEARS, WHICH NOW APPEARS RESUMED.

3. REVENUE INCEASE DETAILS: IN COMPARING FINANCIAL RESULTS CALENDAR YEAR 1974 VERSUS CALENDAR YEAR 1973, PIA EXPERIENCED 48 PERCENT INCREASE PASSENGER REVENUES, 124 PERCENT INCREASE CARGO REVENUES, 37 PERCENT INCREASE CHARTER REVENUES, AND 57 PERCENT INCREASE TOTAL REVENUES, WHILE TOTAL EXPENSES INCREASED AT LESSER RATE OF 52 PERCENT CONSIDERABLY ENHANCING PROFIT MARGIN.

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4. DEPLOYMENT FOURTH DC-10-30: DELIVERY DATE FOURTH DC-10-30 EARLY AUGUST 1976. AIRCRAFT WILL BE DEPLOYED, COMMENCING AUGUST 15, 1976, SCHEDULE PATTERN OF SEVENTY-ONE BLOCK HOURS WEEKLY, MAINTAINING PRESENT VIALBE PIA DC-10-30 DAILY UTILIZATION RATE 10.2 HOURS PER AIRCRAFT. PATTERN FOR FOURTH DC-10-30, REPLACING 707-340C / 373C WHICH WILL BE SHIFTED OTHER ROUTES, AS FOLLOWS: ISLAMABAD-ISTANBUL-AMSTERDAM-LONDON, ONE ROUND TRIP WEEKLY CONSUMING TWENTY BLOCK

HOURS (LOAD FACTOR ISLAMABAD-LONDON ROUTE 9-MONTH PERIOD ENDED MARCH 30, 1975, 74.5 PERCENT, REACHED 83 PERCENT DURING MARCH); KARACHI-DAMASCUS-AMSTERDAM-NEW YORK, ONE ROUND TRIP WEEKLY CONSUMING THIRTY-FIVE BLOCK HOURS; KARACHI-JIDDA, TWO ROUND TRIPS WEEKLY CONSUMING SIXTEEN BLOCK HOURS OR ALTERNATIVELY, KARACHI-ABU DHABI TWO ROUND TRIPS WEEKLY AND KARACHI-DUBAI TWO ROUND TRIPS WEEKLY CONSUMING FIFTEEN BLOCK HOURS. DUE NEW DC-10-30 CAPACITY, 707-340C / 373C CAPACITY SHIFTED ELSEWHERE ON PIA SYSTEM (I.E. KARACHI-DAMASCUS-NORTH AFRICA-NEW YORK-ONTREAL) WILL NOT DILUTE 707-340C / 373C DAILY UTILIZATION RATE 9.5 HOURS PER AIRCRAFT.

5. DEPLOYMENT DC-10-30 FLEET EFFECTIVE AUGUST 18, 1976: KARACHI-CAIRO-FRANKFURT-PARIS-MONTREAL-NEW YORK TWO ROUND TRIPS WEEKLY; KARACHI-DAMASCUS-AMSTERDAM-NEW YORK ONE ROUND TRIP WEEKLY; TEHRAN-FRANKFURT-PARIS-LONDON ONE ROUND TRIP WEEKLY; KARACHI-TEHRAN-FRANKFURT-LONDON ONE ROUND TRIP WEEKLY, ISLAMABAD-TEHRAN-PARIS-LONDON TWO ROUND TRIPS WEEKLY; ISLAMABAD-ISTANBUL-AMSTERDAM-LONDON ONE ROUNDTRIP WEEKLY; KARACHI-ISLAMABAD FOUR ROUND TRIPS WEEKLY. IF FIFTH DC-10-30, NOW ON OPTION, DELIVERED APRIL 1977 WILL REPLACE PRESENT THRICE-WEEKLY 707-340 C/373 C ROUNDTRIP SERVICES KARACHI-COLOMBO-KUALA LUMPUR-SINGAPOR ON TWICE WEEKLY DC-10-30 ROUNDTRIP SERVICES EXTENDED ONWARD BEYOND SINGAPORE TO JAKARTA (THIRTY SIX BLOCK HOURS); AND REPLACE THRICE-WEEKLY 707-340 C/373 C KARACHI-EUROPE-LONDON ROUNDTRIP SERVICES WITH TWICE-WEEKLY DC-10-30 ROUNDTRIP SERVICES, THUS UPGRADING PAKISTAN-LONDON ROUTE TO TOTAL OF SEVEN WEEKLY PIA DC-10-30 ROUNDTRIP SERVICES AS PERMITTED IN REVISED PIA/BRITISH AIRWAYS POOL AGREEMENT.

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ACTION NEA-09

INFO OCT-01 EUR-12 ISO-00 MC-02 CAB-02 CIAE-00 COME-00

DODE-00 DOTE-00 EB-07 INR-07 NSAE-00 FAA-00 L-02 SS-15

PM-03 XMB-02 AID-05 IGA-01 H-02 AF-06 EA-06 /082 W

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P R 080525Z APR 75

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC PRIORITY 933

INFO AMEMBASSY ALGIERS

AMCONSUL AMSTERDAM
AMEMBASSY BEIRUT
AMCONSUL BOMBAY
FAA BRUSSELS UNN
AMCONSUL CASABLANCA
AMEMBASSY ISLAMABAD
AMCONSUL KARACHI PRIORITY
AMEMBASSY LONDON
AMEMBASSY NEW DELHI
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6. PLANNED ROUTE EXPANSION:

A. TRANSATLANTIC

(1) EFFECTIVE NOVEMBER 1, 1978, PIA'S TWICE-WEEKLY DC-10-30
ROUNDTrip SCHEDULES KARACHI-CAIRO-FRANKFURT-PARIS-NEW YORK. WILL
BE REROUTED KARACHI-CAIRO-FRANKFURT-PARIS-MONTREAL-NEW YORK.
(2) EFFECTIVE JULY 1, 1975, PIA WILL INAUGURATE ONCE-WEEKLY 707-
340 C/373 C ROUNDTrip SCHEDULES KARACHI-DAMASCUS-AMSTERDAM-NEW
YORK.

(3) EFFECTIVE AUGUST 15, 1976, PIA WILL INAUGURATE TWICE-WEEKLY
707-340 C/373 C ROUNDTrip SCHEDULES KARACHI-DAMASCUS-TRIPOLI-
TUNIS-ALGIERS-CASABLANCA-NEW YORK-MONTREAL.

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B. TRANSPACIFIC

DESPITE USG REFUSAL GRANT PIA TRANSPACIFIC RIGHTS DURING WASHINGTON
BILATERAL AIR CONSULATIONS GOP-SUG OCTOBER 1974, AIRLINES CON-
TINUES ENVISAGE EXTENSION PRESENT TWICE-WEEKLY DC-10-30 ROUN-
TRIP SCHEDULES KARACHI-BANGKOK-MANILA-TOKYO EASTWARD NONSTOP TO
SAN FRANCISCO (SAN FRANCISCO-TOKYO WESTBOUND SERVICES WOULD REQUIRE
FUEL STOPS, I.E. ANCHORAGE OR HONOLULU), WITH TARGET DATE, SUBJECT
USG APPROVAL, APRIL 1, 1977.

C. NORTH AFRICA

EFFECTIVE APRIL 2, 1975, PIA INAUGURATED ONCE-WEEKLY 707-340C /
373C ROUND TRIP SCHEDULES ISLAMABAD-DAMASCUS-TRIPOLI-COPENHAGEN.

7. FLEET EXPANSION:

A. TWINJET

MANAGING DIRECTOR JAMALL AND FLEET PLANNING MANAGER AHMAD STATE
AIRLINE APPROACHING DECISION THIS YEAR TO ORDER FOUR NEW TWINJETS
VALUED AT \$40 MILLION INCLUDING SPARES, FOR DELIVERY AS FOLLOWS:
TWO AIRCRAFT SEPTEMBER 1976, ONE AIRCRAFT FEBRUARY 1977, ONE AIR-
CRAFT FEBRUARY 1978. COMPETITION APPARENTLY NAROWED TO BOEING
ADVANCED 737-240C AND MCDONNELL DOUGLAS DC-9-40CF, BOTH POWERED BY

PRATT AND WHITNEY JT8D-17 (OR JT8D-15) ENGINES. FIRST TWO TWIN-JETS, PROBABLY CONFIGURED AT 105-SEAT MIXED-CLASS, WOULD BE BASED ISLAMABAD (RAWALPINDI) TO REPLACE OR AUGMENT FOKKER-VFW F-27'S ON ROUTES TO PESHAWAR, CHITRAL, GILGIT, SKURDU, AND ON HIGH-DENSITY CITY-PAIR ISLAMABAD-LAHORE. WITH DELIVERY THIRD AND FOURTH TWINJETS, WOULD ALSO AUGMENT 720-040B/047B'S ON ADDITIONAL DOMESTIC ROUTES EMANATING FROM KARACHI TO LAHORE, ISLAMABAD, QUETTA, AND PESHAWAR AND REGIONAL ROUTES TO GULF AND, LATER, BOMBAY AND NEW DELHI.

8. WIDEBODY

NEW FLEET PLAN, PREPARED BY STANFORD RESEARCH INSTITUTE, NOW BEING REVIEWED BY PIA STAFF, THE BOEING COMPANY, AND DOUGLAD AIRCRAFT COMPANY. CHAIRMAN KHAN AND FLEET PLANNER AHMAD STATE PLAN WILL CALL FOR AIRLINE'S WIDEBODIED FLEET TO EXPAND BEYOND THE FOUR CURRENTLY IN SERVICE OR ON ORDER AT RATE OF ONE AIRCRAFT YEARLY COMMENCING SPRING 1977, BUILDING TO FLEET NINE WIDEBODIED AIRCRAFT SPRING 1981 AND TWELVE WIDEBODIED AIRCRAFT SPRING 1984. IF PLAN IMPLEMENTED, WILL CALL FOR WIDEBODY ORDERS TOTALING APPROXIMATELY \$150-\$190 MILLION, INCLUDING SPARES, OVER NEXT FOUR YEARS OR \$245 TO \$304 MILLION, INCLUDING SPARES, OVER NEXT SEVEN YEARS.

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ALTHOUGH CHAIRMAN EXPRESSES VERY HIGH REGARD DCM-10-30 PERFORMANCE, ECONOMICS, PASSENGER-APPEAL, FLEXIBILITY, AND BELLY-CARGO CAPACITY, HE BELIEVES VERY STRONG TRAFFIC INCREASES MAY REQUIRE AIRLINE'S FOLLOW-ON WIDEBODIED ACQUISITIONS TO BE LARGER BOEING 747-240B OR 747-340B (OFFERING COMMONALITY OF ENGINES) - GE CF6-50 - WITH DCM-10-30). KHAN EXPRESSES SOME MISGIVINGS, HOWEVER, DUE COMPLICATIONS IN SPARES SUPPORT, MAINTENANCE PROGRAMS, TRAINING, AND CREWING IN OPERATING ADDITIONAL TYPE WIDEBODIED AIRCRAFT FOR RELATIVELY SMALL AIRLINE IN CATEGORY PIA. KHAN, JAMALL, AND AHMAD INDICATE PIA DECISION ON ORDER OF ADDITIONAL WIDEBODIED AIRCRAFT, INCLUDING GO OR NO-GO ON EXERCISING OPTIONS FIFTH AND SIXTH DC-10-30'S, DUE LATER THIS YEAR.

9. FINANCING FOURTH DC-10-30

TASHFIN HUQ PLANS TO VISIT EXIMBANK WASHINGTON LATE APRIL TO SUBMIT AIRLINE'S LOAN APPLICATION. HUQ WILL ALSO BE EXPLORING PRIVATE SECTOR FINANCING PORTION OF LOAN PACKAGE WITH US, EUROPEAN, AND ARAB/GULF BANKING AND FINANCING SOURCES.

10. RCAA COMMENTS: AS BACKGROUND TO FORTHCOMING LOAN APPLICATION, EXIMBANK, RCAA HIGHLY IMPRESSED PRESENT AND PAST PERFORMANCE PIA AND ITS PROSPECTS FOR CONTINUING GROWTH AND PROFITABILITY. RCAA BELIEVES ACQUISITION FORUTH DC-10-30 TO MEET RAPIDLY GROWING PRESSURES ON OVERALL CAPACITY, CONCURRENTLY WITH ATTAINMENT LOWER TON-MILE COSTS AND REDUCED FUEL BURNOFF PER TON-MILE, COMPELLING AND ECONOMICALLY SOUND MANAGERIAL DECISION BY PAKISTANI-FLAG CARRIER.

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